6 Retirement Savings Tips That Women Should Implement Now

For some women, planning for retirement requires being extra diligent about financial planning.

According to a recent study by Bank of America, 44% of women wished they had started saving sooner, with the percentage increasing to 50 for those over age 65. But as the saying goes, "Sometimes too late is just in time." For women aged 50 and older, now is just in time to maximize their retirement savings. Younger women should take charge of their finances too - and the sooner, the better.

The following six tips can be used by women to prepare for retirement readiness.

1. Play Catch-Up: Age 50 and Older is *Just in Time* for Catch-Up Contributions.

Women who reach at least age 50 by the end of the year can make catch-up contributions in addition to their regular contributions. The maximum amounts are as follows:

a. **For IRAs:** The lesser of 100% of compensation or $6,000 for 2022 and $6,500 for 2023. The catch-up contribution amount is $1,000 for 2022 and 2023.

   Tip: IRA contributions can be made as late as the tax filing due date – which is April 18, 2023 for the 2022 tax year, and that is “just in time” to make IRA contributions for 2022.

b. **For salary deferral plans provided by employers:** the lesser of 100% of compensation or $20,500 for 2022 and $22,500 for 2023. The catch-up contribution amounts are $6,500 for 2022 and $7,500 for 2023.

   Note, however, that it is too late to make salary deferral elections for 2022. But if a woman is a sole proprietor with a 401(k) for her business and has made such an election by the end of 2022, up to $27,000 ($20,500 plus catch-up of $6,500) can be contributed to her self-employed 401(k) account for 2022 as salary deferral contributions. And for 2023, the amount is up to $30,000 ($22,500 plus catch-up of $7,500).

Salary deferral contributions can be made in addition to employer contributions. However, the total should not exceed the statutory limit in effect for the year, which is 100% of compensation up to $67,500 ($61,000 plus catch-up contribution of $6,500) for 2022 and $73,500 ($66,000 plus catch-up contribution of $7,500) for 2023. In addition, contributions to a plan generally cannot exceed compensation received from the plan sponsor (employer).

A woman who can afford to add these amounts to her retirement savings will have accumulated the following totals after 10 years.

	IRA	Salary deferral	10-year balance @7% and assuming no withdrawals
2022	$7,000	$27,000	
2023	$7,500	$30,000	
Total	$14,500	$57,000	**Total Investments**: $71,500
Total if no more are added			**$140,651.32**
Total if the same amount is added every year			**$1,128,472.09**

Calculator: Compound Interest Calculator @ www.investor.gov/

2. Married Without a Regular Job? Use Spousal IRA Contributions.

Generally, an individual must have eligible compensation to make a regular IRA contribution. An exception applies for the spouse with little to no compensation (non-working spouse) but is married to someone who does. Under this exception, the non-working spouse may rely on the working spouse's income to meet this compensation requirement.

Example: Jane is married to Jamal. One of Jane's roles in the marriage is staying home and caring for the household; thus, she does not receive a salary. Jamal works outside the home and receives W-2 wages of $250,000. A spousal IRA contribution can be made to Jane's IRA- based on Jamal's income, *providing they file a joint tax return.*

3. Entrepreneurial? Fund a Self-Employed Retirement Plan

A woman who runs a business may add to her retirement nest egg by contributing to an employer-level retirement plan. The maximum contribution amount depends upon the type of plan, the compensation for the year, and if the company is incorporated. The following examples are based on an income of $100,000.

	Maximum contribution allowed based on W-2 wages from a corporation			
Type of employer-level retirement plan	**2023**		**2022**	
	Age 50 and over	**Under age 50**	**Age 50 and over**	**Under age 50**
401(k) plan	$55,000	$47,500	$52,000	$45,500
SEP IRA or profit-Sharing Plan	$25,000	$25,000	$25,000	$25,000
SIMPLE IRA	$22,500	$18,500	$20,500	$17,000

	Maximum contribution allowed based on self-employment income (not incorporated)			
Type of employer-level retirement plan	**2023**		**2022**	
	Age 50 and over	**Under age 50**	**Age 50 and over**	**Under age 50**
401(k) plan	$48,587	$41,087	$45,587	$39,087
SEP IRA or profit-Sharing Plan	$18,587	$18,587	$18,587	$18,587
SIMPLE IRA	$21,706	$18,206	$19,706	$16,706

Calculator: Self-employer retirement contributions calculator at www.applebyconsultinginc.com/SBOCalculator

Important: A suitability assessment must be done to determine which retirement plan is suitable for a business.

Caution: If the business has other employees, contributions must be made for them as well, providing they meet the plan's eligibility requirement. This requirement and the associated cost must be considered when deciding to adopt and maintain a retirement plan for the business.

4. Don’t Over Save!

Maximizing retirement savings is an attractive proposition, but it makes good financial sense only if one can afford it. Therefore, contributions to retirement accounts must be included in one’s budget to determine how much one can contribute without a negative financial impact. For example, maxing out a 401(k) and an IRA is bad financial practice if no funds remain to cover everyday expenses.

5. Talk About Finances with Financial Partners

94% of women believe they will eventually be responsible for their finances. With the CDC's report that the life expectancy of women is 79.1 - 5.9 years more than the life expectancy for men, that might be true. Yet, I find that many women who survive their spouses are unaware of the retirement savings accounts held by their husbands. A woman who does not know that she inherited a retirement account might never get those assets. And those who find out later might have missed deadlines for taking required minimum distributions (RMDs). Failure to take RMDs means owing the IRS excess an accumulation penalty, which can reach as much as 50% of any RMD shortfall. (Note that it was reduced to 25% as of 2023.)

Talking about finances and participating in financial planning meetings helps empower women with the education needed to protect their inherited accounts from being unclaimed and subject to excise tax.

6. Work with an Advisor's Advisor

"Sisters are Doin' it for Themselves" is true, but that should not be the case in the arena of financial, tax, and estate planning. Instead, sisters should work with advisors who are proficient in their field. For example, a real estate agent should not be consulted about the rollover rules for IRAs as the advice might be incorrect. And while a financial advisor can help set up a retirement plan for a business, a tax advisor should advise on how much the business owner is eligible to contribute to it. Finally, when choosing beneficiaries for a retirement account, it is all hands on deck: the financial advisor, the tax advisor, and the estate planning attorney.

Observation: I primarily focus on preventing and fixing mistakes made with retirement accounts. In fact, most are made by individuals who try to do it themselves.

This Goes Beyond Gender

While this article is directed to women because it's Women's History Month, the tips apply to everyone regardless of gender. Financial plans should be revisited periodically and revised as needed regardless of the state of one's financial and retirement readiness. Of course, revisions should always be done with the assistance of professionals.

This article was written by Denise Appleby, MJ, CISP, CRC, CRPS, CRSP, APA, on behalf of the NAPFA DEI Initiative. Learn more at www.napfa.org/DEI.